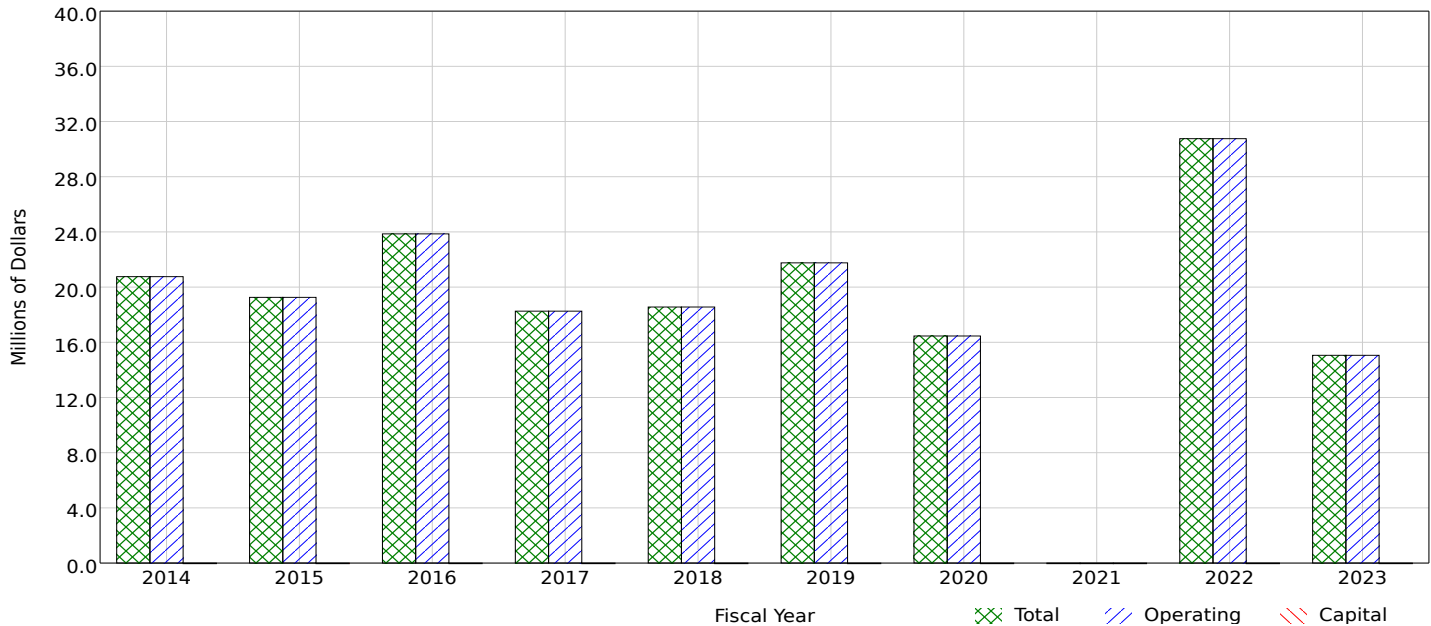


Fund Source Report

1030 School Fnd School Fund

Year Authorized 1955 Year Repealed Active? Yes Mental Health? No Duplicated? No Fund Group Designated General

Operating and Capital Appropriations



Legal Authority

AS 43.50.090 and .140, AS 37.05.146(c)(6)

Source of Revenue

Consists of the proceeds derived from the payment of base (but not additional) cigarette taxes, fees, and penalties and license fees.

Restrictions on Use

The School Fund is a dedicated fund only because it pre-dates the state constitution, so is classified as a designated fund. Revenue deposited in the School Fund is designated for rehabilitation, construction, repair and associated insurance costs of state school facilities.

Description and History

The School Fund is the repository for some--but not all--receipts generated by the cigarette tax, and all receipts from licenses to sell tobacco products.

State taxation of tobacco products dates back to 1949 when a tax of 3 cents per pack of cigarettes and 2 cents per ounce of tobacco was imposed. There were no exemptions provided in the tax legislation. The amount of the cigarette tax has increased over the years and changed from a per pack to a millage rate per cigarette.

The current (as of year 2000) tax rate on cigarettes is 50 mills (5 cents) per cigarette, or \$1 per pack of 20 cigarettes. The tax rate on other tobacco products is 75% of wholesale price. The cigarette tax is comprised of two components--the base (pre-statehood) rate of 2.5 mills plus an additional rate (post-statehood increases) that brought the base rate to 38 mills.

Tax and penalty revenue attributable to the base portion of the cigarette tax is deposited in the School Fund. All other cigarette tax revenue (currently 12 mills) is deposited into the general fund. This equates to 76% to the School Fund and 24% to the general fund. The "additional" cigarette tax (AS 43.45.190) will increase to 62 mills in FY2008. The cigarette tax will then be a total of 100 mills, or \$2 per pack, of which 38% will go to the School Fund and 62% to the general fund.

The tobacco tax is levied on tobacco products that are imported into Alaska for sale. Tobacco taxes are collected primarily from licensed wholesalers and distributors. Tobacco products revenue (i.e., the 75% of wholesale price) is deposited in the general fund.

Beginning in 2005, 8.9% of the annual estimated balance of cigarette tax proceeds deposited in the general fund may be used to make

Fund Source Report

appropriations to the Tobacco Education and Cessation Fund. Per AS 43.50.350, the annual estimated balance of tobacco tax proceeds deposited to the general fund may be used to make appropriations for health care, health research, health promotion, and health education programs.

Until 1998, payment of school tax revenue to school districts reduced the amount of school debt reimbursement a district could obtain from the state. Amendments in 1998 excluded school tax receipts from the amounts by which debt reimbursement was to be reduced.

November 2012

Since FY99, this fund code has been used only to reimburse local governments for school debt service.